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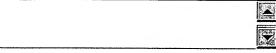| Terms	Documents
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DATE: Thursday, June 22, 2006   Printable Copy   Create Case

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L23	'5898154'.pn.	1	L23
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L19	'6157918'.pn.	1	L19
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L18	L17 and (escrow with account or escrow near account or escrow adj account or deposit and demand or required near2 deposit)	20	L18
L17	L16 and transfer	46	L17
L16	L14 and (fund$ or funds or assets or asset) same account	56	L16
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L14	L13 and (custoemr or consumer or participant)	229	L14
L13	commodities near exchange	481	L13
L12	L11 and (funds with transfer or funds near transfer or funds adj transfer or assets near transfer or assets with transfer or assets adj transfer)	38	L12
L11	L10 and (escrow with account or escrow near account or escrow adj account or deposit and demand or required near deposit)	40	L11
L10	L9 and (funds or assets)	101	L10
L9	L8 and (customer or customers or participant or consumer)	104	L9
L8	(establish$ or establishing or opening or open$) near fund$ with account	123	L8
L7	(customer or participant or consumer) near2 (establish$ or establishing or opening or open$) near fund$ with account	7	L7
L6	L5 and (vendor or mrechant or supplier)	18	L6
L5	L3 and (escrow near account or escrow with account or escrow adj account or deposit and demand)	40	L5
L4	L3 and (escrow near account or escrow with account or escrow adj account)	8	L4
L3	L1 and (desposit or deposit$ or depositing)	83	L3
L2	L1 and desposit	1	L2
L1	(establish$ or establishing or opening or open$) near fund$ with account	123	L1

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L18: Entry 16 of 20   File: USPT   Mar 28, 2006

DOCUMENT-IDENTIFIER: US 7020632 B1
TITLE: Trading system for fixed-value contracts

Abstract Text (1):

A trading system for the trading of fixed-value contracts employs a novel form of
contract that has a fixed face value and two sides that respectively represent
mutually exclusive outcomes. Traders submit bids specifying a selected "side" of
the contract, a price, and a contract quantity specification, for matching with
complementary bids submitted for the opposing "side" of the contract, thereupon
occasioning "filled" trades. Upon the termination of the contract in accordance
with pre-established criteria, resulting in the determination of a prevailing side
of the contract, holders of filled contracts whose bid specified the prevailing
"side" of the contract receive the face value of the contract. The trading system
of the invention is preferably implemented In computerized embodiments that enable
traders to submit bids to a host computer over a network, and said host computer
provides traders with access to all pertinent trading information in real time,
automatically matches complementary bids, and enables the immediate clearing and
settlement of all filled trades from deposit accounts established by traders using
the system.

Brief Summary Text (2):
The present invention relates to trading systems and in particular to a trader-
driven system for trading in a novel form of fixed-value contract. The system of
the invention comprises a central host computer that is linked by a network such as
the internet to a plurality of remote client terminals, such as personal computers,
operated by traders who subscribe to the system. The system of the invention
enables individual traders to participate in virtual trading pits, wherein each
trader may submit to the host computer bids of varying lot sizes and prices with
respect to either "side" of a fixed value contract, such as may be established for
any occurrence capable of being framed, for purposes of trading, as a Yes/No or
For/Against proposition. The system compares bids submitted by traders on one side
of any such contract against bids submitted on the opposing side of the same
contract, and, upon the occurrence of complementary bids, the system automatically
executes a trade. By utilizing pre-established accounts funded by the subscribing
traders, for example by credit card, wire transfer or check deposit, the system
automatically and immediately performs all clearing and accounting processes needed
to complete, guarantee and confirm each trade.

Brief Summary Text (9):
The current open outcry system of commodity markets also suffers from structural
problems that derive from its origins, when these markets served a small number of
participants in a localized area. As the number of traders has increased manifold,
the use of large numbers of intermediaries, including brokers, "specialists",
market makers and clerks, has become necessary to the operation of the system, and
the trading advantages of the floor traders or "locals" physically located on the
trading floor have become considerable. In particular the interpolation of several
layers of brokers and clerks separating the ordinary retail trader from the trading
pit, and from other ordinary retail traders, results in substantial delays in the
transmission of current trading information to retail traders and delays in the
transmission of their trade orders. These delays in turn have the adverse

consequences that retail traders often submit trading instructions on the basis of outdated trading information, and then submit trading instructions that are outpaced by shifts in trading prices before such instructions even reach the trading pit. The structural constraints of current trading systems also severely limit the type and number of commodity contracts that may be traded, as only commodities sanctioned by the exchange may be traded. The current system is accordingly incapable of handling in a fair and equitable manner the number of traders, and the number and types of contracts, potentially capable of being served.

Brief Summary Text (10):
The current commodity exchange systems are also fraught with opportunities for human error, abuse, and even fraud. Trades are not confirmed until the exchange has closed, in a multi-step process known as "clearing." Trades made In the trading pit by floor traders are initially recorded by handwritten notes on paper cards, and the possibility of a mismatched transaction, or "out trade," exists with every trade; as a result each trade needs to be physically confirmed, by a matching of handwritten trade records, as a part of the clearing process. This dearing process in turn requires the manual keypunching of transaction data by exchange employees into computers, again providing opportunities for human error. At best, those traders who have neutralized or offset their position during the trading day, and as a result may have realized net profits, will be unable to access their funds until the following day, assuming all of their trades have cleared properly. In the event of disputes resulting from one or more out trades, the retail trader must await, and abide by, the resolution of the dispute by exchange traders, typically without any input or participation by the affected retail traders. In current trading systems the details of the trading process, and the details of ongoing trading activity in the trading pits, are thus obscured from the ordinary retail trader, and in effect the trading exchange serves preferentially the interests of its members to the detriment of the ordinary retail trader.

Brief Summary Text (14):
There is a accordingly a need for a trading system that eliminates the disadvantages and shortcomings of the existing open outcry contract trading systems and exchanges. Specifically there is a need for a contract trading exchange that allows individual retail traders to trade for their own account directly, without the intermediation of any broker or of trading exchange floor traders or other employees. There is a need for such a trading system in the operation of which all trades are immediately confirmed, cleared and settled, and the funds allocable to traders by virtue of their profitable trades are made immediately available to such traders.

Brief Summary Text (27):
It is another object of the present invention to provide a computerized trading system comprising for each subscriber an account, funded by the subscriber, in which all pertinent Individual trading account data are stored and are automatically updated upon the occurrence of any account-affecting event, Including immediately upon any bid submission, bid cancellation or bid matching. It is a related object of the invention to provide means whereby a reserve is established from a trader's account to cover any bid made by the trader, thereby enabling trades to be automatically effectuated, confirmed, and settled immediately upon the matching of said bid submitted by the trader with an opposing, complementary bid submitted either earlier or later than said bid.

Brief Summary Text (32):
It is another object of the present invention to provide a parlor game in which players, having been provided with a beginning fund account, compete to maximize the profitability of their trading skills, for example as applied to an ongoing televised sporting event, or to game situations created specifically for a trading game. For this and related applications the software needed to operate the parlor

game trading system may be stored on any suitable medium, such as game cards for use on popular computer game systems, or in a form downloadable from an internet site, and may be adapted to enable trading commands to be input by a plurality of players via a single or a plural input devices including keyboards, joysticks, voice commands or any other suitable means of inputting data and commands.

Brief Summary Text (34):
In addition to making possible new trading exchanges, the present invention also makes possible new and highly efficient opinion polling systems, in which both the positions of poll_participants and the intensity and depth of their opinions may be evaluated on a continuous and ongoing basis in a manner and with a degree of accuracy and efficiency not provided by existing polling systems.

Brief Summary Text (42):
Preferably, traders are required to support their bids by the reserve or withdrawal of funds in personal trader_accounts maintained by the system. The contract structure and bid matching system of the present invention then operate to ensure that funds will always be immediately available in the system to satisfy the successful bids of all prevailing contract holders.

Brief Summary Text (48):
It is also an important advantage of the system of the present invention that it eliminates short selling (a difficult concept for many traders to comprehend, let alone practice), because overall risk is known at all times, readily understood, and readily managed from the outset. "Short selling" occurs when a trader sells contracts or stock, today, at a price that the trader speculates is higher than he will have to pay to repurchase those same instruments In the future. For example a trader may sell contracts on corn for delivery in December for $2.50 a bushel, in the belief and expectation that the future price will be substantially lower and will enable a net profit on the transaction. However unexpected events, such as weather or supply and demand forces, may cause a dramatic rise in future corn prices. The trader has no way of ascertaining, with any certainty, the maximum risk to which the "short" sale has exposed him or her. That risk is therefore potentially unlimited.

Description Paragraph (14):
Referring to FIG. 2, pit screen 22 includes a block 26 graphically displaying tick data representing in time-stamp order the most current trades made in the pit, boxes 28 listing the top open bids for each side of the contract, and a Bid Order selection button 24 for each side of the contract. The pit screen also includes a group of selection buttons whereby the trader may access lists of pertinent trading information, including a "My position in this pit" button 32, a "My filled contracts" button 34, a "My cancelled bids" button 36, and a "My general_account" button 38. Lastly, a "Cancel my open bids" selection button 40 opens a dialog box containing a listing of that trader's active bids, and also containing entry boxes enabling the trader to select active bids to be cancelled, and to submit an order to the Host canceling the bids thus selected (and also automatically effecting a release of the funds that were reserved or withdrawn from said trader's account when the now-cancelled bids were initially submitted).

Description Paragraph (18):
FIG. 3 illustrates generally the steps carried out by Host computer 12 on receipt of a bid order from a client terminal 20. On receipt at the Host computer the bid order is passed to a Pit Manager Process and the bid order is parsed for Pit ID, transaction type and trader Pin number. The "side" of the contract selected by the user is identified, say as "Home" side bid in the "Home" and "Away" side categorizations that might be used in the case of a sports event, and authentication processes are initiated. A security process in the Pit Manager verifies in a Trader Account Table the account ID and the Pin number submitted by the client terminal of the trader, and then checks the trader's account balance in

the Trader <u>Account</u> Table. The Pit Manager temporarily locks the trader's <u>account,</u> reserves or withdraws the <u>funds</u> needed to complete the trade requested by the trader, and passes the bid order to a Bid Matcher process. If any of the above-described verification and authentication steps fails, however, the Pit Manager immediately notifies the client terminal via the open thread, causing the results to be displayed on the client terminal display, and the Pit Manager rolls back to their original state all database tables and <u>accounts</u>.

<u>Description Paragraph</u> (21):
Whenever a match has been made by the Bid Matcher Process, as described above, the Pit Manager causes an Accounting Process software module then to initiate the accounting and clearing processes associated with the transaction. As stated earlier, when the original bid order was submitted by the client terminal, the Bid Matcher reserved or withdrew from the trader's <u>account the funds</u> that would be needed to finalize a trade based on said bid order. The Accounting Process now acts to complete the transaction and to credit and debit, as appropriate, the respective <u>account</u> balances of the traders who are parties to the transaction. Beginning with the resting open bid portion (Bid1) of the transaction (in the example above, the resting "Away" bid), the Accounting Process first determines whether any portion of the new "fill" offsets an existing position in that trader's <u>account</u>. That is, does that trader have any filled contracts on the "side" of the contract opposite the side to which the newly filled contracts pertain? To make this determination the <u>Account</u> Process first determines the trader's overall position, by counting the total number of filled contracts, on each side of the particular trading pit, that are associated with that traders ID, as set forth in the records in the Bids Table. By computing the total number of filled contracts on both sides for that trader, the Accounting Process determines if the number of filled contracts on both sides of the contract is equal. If so, the trader's <u>account</u> is then debited in the amount previously reserved for the current order, less the amount allocable to any unfilled contracts then remaining.

<u>Description Paragraph</u> (26):
The Host computer should comprise software processes, generally known to persons skilled in the art and for that reason not further described here, that serve to implement the data integrity and security functions of the system. These processes handle access to the system, authentication and verification of trader inputs, the security of any threads that link the Host to connected traders, system integrity and rollback ability. Conventional authentication routines and processes are to be used at many levels, enabling the system to operate securely, accurately and error-free. In particular security processes are necessary to insure that each trader's <u>account</u> is unique, guarded, and accessible only to that trader. Security processes also handle <u>deposits</u> and withdrawals of <u>funds</u> from trader <u>accounts,</u> in conjunction with third party secure operations including third party credit card verification, authentication and fulfillment servers.

CLAIMS:

2. The trading system of claim 1 wherein said host computer comprises means for establishing <u>accounts</u> for users of said remote terminals in which <u>accounts</u> said users may <u>deposit funds</u> from their remote terminals, and said host computer further comprises means for automatically reserving or withdrawing from the said <u>account</u> of any said user the value of any bid submitted by said user to the host computer.

15. The method of claim 14 comprising a further step requiring each user of said remote terminals, prior to entering any bid to said host computer, to establish an <u>account and deposit funds in said account</u>.

16. The method of claim 15 comprising the further step that upon receipt by the host computer of any bid from a remote terminal, <u>funds</u> sufficient to cover said bid are withdrawn from the <u>account</u> established by the user entering said bid.